



Iowa Nonresident and Part-year Resident Credit

Name(s) as shown on page 1 of the IA 1040

Social Security Number

MARK THE APPROPRIATE BOX FOR YOU AND YOUR SPOUSE

You are a nonresident of Iowa ☐ ▲

You are a part-year resident of Iowa ☐ ▲

Date moved into Iowa: _____

and/or

Date moved out of Iowa: _____

Your spouse is a nonresident of Iowa ☐ ▲

Your spouse is a part-year resident of Iowa ☐ ▲

Date moved into Iowa: _____

and/or

Date moved out of Iowa: _____

YOU MUST FILE THIS FORM IF...

- You are a nonresident of Iowa with income from Iowa sources, or
- You are a part-year Iowa resident
- Attach this form and a copy of your Federal return to your Iowa return.
- Report only Iowa-source income on the IA 126.

IOWA-SOURCE INCOME

B. SPOUSE

Filing Status 3 Only

A. YOU OR JOINT

See page 19 of IA 1040 instructions to determine Iowa-source income.

1. Wages, salaries, tips, etc.	1. _____ .00	_____ .00
2. Taxable interest income	2. _____ .00	_____ .00
3. Ordinary dividend income	3. _____ .00	_____ .00
4. Alimony received	4. _____ .00	_____ .00
5. Business income or (loss)	5. _____ .00	_____ .00
6. Capital gain or (loss)	6. _____ .00	_____ .00
7. Other gains or (losses)	7. _____ .00	_____ .00
8. Taxable IRA distributions	8. _____ .00	_____ .00
9. Taxable pensions and annuities	9. _____ .00	_____ .00
10. Rents, royalties, partnerships, estates, etc.	10. _____ .00	_____ .00
11. Farm income or (loss)	11. _____ .00	_____ .00
12. Unemployment compensation	12. _____ .00	_____ .00
13. Taxable Social Security benefits.	13. _____ .00	_____ .00
14. Other income, including gambling income	14. _____ .00	_____ .00
15. GROSS INCOME. ADD lines 1-14.	15. _____ .00	▲ _____ .00
16. Payments to an IRA, KEOGH or SEP while an Iowa resident	16. _____ .00	_____ .00
17. Deduction for self-employment tax	17. _____ .00	_____ .00
18. Health insurance deduction	18. _____ .00	_____ .00
19. Penalty on early withdrawal of savings	19. _____ .00	_____ .00
20. Alimony paid	20. _____ .00	_____ .00
21. Pension/retirement income exclusion	21. _____ .00	_____ .00
22. Moving expense deduction <i>into</i> Iowa only	22. _____ .00	_____ .00
23. Iowa capital gains deduction	23. _____ .00	_____ .00
24. Other adjustments	24. _____ .00	_____ .00
25. Total adjustments. ADD lines 16-24.	25. _____ .00	▲ _____ .00
26. IOWA NET INCOME. SUBTRACT line 25 from line 15.	26. _____ .00	_____ .00
27. All-source net income from line 26, IA 1040	27. _____ .00	_____ .00
	100.0%	100.0%
28. Iowa income percentage: Divide line 26 by line 27 and enter percentage.	28. _____ %	_____ %
29. Nonresident/part-year resident credit percentage: Subtract the percentage on line 28 from 100.0%.	29. _____ %	_____ %
30. Iowa tax on total income from line 43, IA 1040	30. _____ .00	_____ .00
31. Total credits from line 50, IA 1040	31. _____ .00	_____ .00
32. Tax after credits. Subtract line 31 from line 30.	32. _____ .00	_____ .00
33. Nonresident/part-year resident tax credit. Multiply line 32 by the percentage on line 29.	33. _____ .00	_____ .00

ENTER THIS AMOUNT ON LINE 52 OF IA 1040

INSTRUCTIONS FOR SCHEDULE IA126

Schedule IA126 is to be used only by nonresidents and part-year residents (taxpayers who moved into or out of Iowa during 1998). It is used to calculate the nonresident and part-year resident credit to be entered on line 52 of the IA1040.

All nonresidents and part-year residents of Iowa must use Schedule IA126 to compute their total Iowa net incomes. For nonresidents, Iowa net income will include all income from Iowa sources. For part-year Iowa residents, Iowa net income includes all income received while living in Iowa plus any Iowa-source income received while a nonresident.

Nonresidents and part-year residents are required to include copies of their Federal income tax returns with their Iowa returns. Almost all items on the IA126 are taxed in the same manner for Iowa as for Federal.

Complete lines 1-26 of the IA126 using only income from Iowa sources. Lines 1-26 of the IA1040 must be completed using all-source income.

Enter the amount of credit from line 33, IA126 on line 52, IA1040.

MARRIED SEPARATE FILERS: Divide your Iowa income between spouses using the instructions given for the corresponding line on the IA1040 for married separate filers.

Following are two examples of how nonresidents of Iowa would list their income.

Example 1

Chad is a resident of Nebraska and works in Iowa. His income includes wages earned in Iowa and interest income from a Nebraska bank. Chad will report the wages and interest on the IA1040 as all-source income and then list his wages only on the IA126 as his Iowa-source income.

Example 2

Laura lived in Illinois all of 1998 and earned \$25,000 in wages from Iowa and won \$5,000 on an Iowa riverboat. She will need to report all of her income on the IA1040 as all-source income and include only the gambling income on the IA126 as her Iowa-source income.

Iowa has a reciprocal agreement with the State of Illinois, which means that wages and salaries would be taxed to the individual's state of residence. All income received from gambling activities in Iowa is taxable to Iowa regardless of the individual's state of

residence. For information on the Iowa-Illinois reciprocal agreement, see page 3.

Following are examples of how a part-year resident of Iowa would list her income.

Example 3

Jill lived and worked in Iowa from January through June of 1998. In addition to her wages, she received interest income from an Iowa bank.

Jill then moved to Missouri and was employed there for the remainder of the year. She continued receiving interest income from the Iowa bank through all of 1998.

Jill will report all of her income from both states on the IA1040 as all-source income. She will report only the wages and interest income earned while an Iowa resident on the IA126 as Iowa-source income. The interest income earned from the Iowa bank during the last half of the year is not considered Iowa-source income since Jill was no longer an Iowa resident.

IA 126 LINE INSTRUCTIONS

1. WAGES, SALARIES, TIPS, ETC.

Part-year residents: Include all W-2 income earned while an Iowa resident and any income for services performed in Iowa while a nonresident of the state.

Nonresidents: Allocate to Iowa only Iowa-source income. If the portion of employee compensation earned in Iowa by a nonresident is not reported separately, allocate the compensation based upon the number of days worked in Iowa to total work days.

2. TAXABLE INTEREST INCOME.

Part-year residents: Report all interest shown on the IA1040 which accrued while an Iowa resident and any interest received while a nonresident which was derived from a trade, business or profession carried on within Iowa.

Nonresidents: Report only that interest derived from an Iowa trade, business or profession.

3. DIVIDEND INCOME.

Part-year residents: Report all dividends received while an Iowa resident and any dividends derived from an Iowa trade, business or profession while a nonresident.

Nonresidents: Allocate to Iowa only those dividends derived from an Iowa trade, business or profession.

4. ALIMONY RECEIVED.

Part-year residents: Include all alimony or separate maintenance payments received while an Iowa resident.

Nonresidents: Alimony and separate maintenance payments received from an Iowa resident by a nonresident are not Iowa-source income.

5. BUSINESS INCOME OR (LOSS).

Part-year residents: Include all Schedule C or C-EZ income earned while an Iowa resident and any portion of business income or loss earned while a nonresident attributable to a business conducted in Iowa.

Nonresidents: Allocate to Iowa only that portion of business income or loss attributable to a business conducted in Iowa. Attach a supporting schedule showing Iowa gross receipts divided by total gross receipts; multiply this ratio times the total net income from Schedule C or C-EZ. A sale is considered an Iowa sale if goods are delivered or shipped to a point within the state regardless of F.O.B. point.

6. CAPITAL GAIN OR (LOSS).

Part-year residents: Include 100% of the capital gains or losses from assets sold during the time they were Iowa residents. In addition, capital gains or losses from assets sold while a nonresident of Iowa should be reported on the basis of the instructions for nonresidents that follow.

Nonresidents: Include in Iowa income 100% of capital gains or losses from the following:

- a. Sales of real or tangible personal property if the property was located in Iowa at the time of the sale; or
- b. Sales of intangible personal property if the taxpayer's commercial domicile is in Iowa.

7. OTHER GAINS OR (LOSSES).

Part-year residents: Report 100% of gains or losses from assets sold or exchanged while an Iowa resident and any gains or losses from Federal form 4797 while a nonresident if the property was located in Iowa at the time of sale or exchange.

Nonresidents: Allocate to Iowa any gains or losses from Federal form 4797 if the property was located in Iowa.

8. TAXABLE IRA DISTRIBUTIONS.

Part-year residents: Report any taxable IRA distributions received while an Iowa resident. To calculate Roth conversion income, multiply the total conversion income by the ratio of months residing in Iowa in the tax year over 12.

Nonresidents: Iowa-source IRA distributions received by a nonresident are not taxable to Iowa.

9. TAXABLE PENSIONS AND ANNUITIES.

Part-year residents: Report any pension and annuity income reported on line 9 of the IA1040 which was received while an Iowa resident.

Nonresidents: Iowa-source pension and annuity incomes received by a nonresident are not taxable to Iowa. **Nonresidents do not enter anything on this line.**

10. RENTS, ROYALTIES, PARTNERSHIPS, ESTATES, TRUSTS, ETC.

Part-year residents: Include all income shown on Federal Schedule E which was earned or received while an Iowa resident and all rents and royalties from Iowa sources and partnerships or S Corporation income earned or received while a nonresident.

Nonresidents: Allocate to Iowa all rents and royalties from Iowa sources and all Iowa partnership or S Corporation income. See instructions for allocation of business income on line 5 of this section.

11. FARM INCOME OR (LOSS).

Part-year residents: Include all net farm income earned or received while an Iowa resident. Also include all net income from Iowa farm activities while a nonresident using the instructions for nonresidents given below.

Nonresidents: Include the total net income from the Iowa farm activities. If farm activities were conducted both within and without Iowa, provide a separate schedule showing allocation of the income and expenses to Iowa.

12. UNEMPLOYMENT COMPENSATION.

Part-year residents: Report all unemployment benefits received while an Iowa resident and those benefits received the rest of the year that relate to past employment in Iowa.

Nonresidents: Allocate to Iowa the unemployment benefits that relate to employment in Iowa. If the unemployment benefits relate to employment in Iowa and employment in another state, report the benefits to Iowa on the basis of the Iowa salaries and wages to the total salary and wages.

13. TAXABLE SOCIAL SECURITY BENEFITS.

Part-year residents: Report any Social Security income reported on line 13 of the IA1040 which was received while an Iowa resident.

Nonresidents: Iowa-source Social Security income received by a nonresident is not taxable to Iowa. Nonresidents do not enter anything on this line.

14. OTHER INCOME.

Part-year residents: Include any income on line 14 of IA1040 which was received while an Iowa resident or income from Iowa sources while a nonresident. See the instructions for line 14 of IA1040 for a list of income items that are reported on line 14 of IA126.

Nonresidents: Include all other taxable income from Iowa sources such as Iowa modifications to partnership income and/or S Corporation income.

15. GROSS INCOME. Add lines 1 through 14 and enter the total.

16. PAYMENTS TO AN IRA, KEOGH OR SEP.

Part-year residents: Deduct the portion of payments made to an IRA, Keogh or SEP plan while an Iowa resident.

Nonresidents: Deduct the portion of payments made to an IRA, Keogh or SEP plan in the ratio of earned income allocated to Iowa to total earned income.

17. ONE-HALF OF SELF-EMPLOYMENT TAX.

Part-year residents: Deduct the portion of the self-employment tax that is attributable to the self-employment income earned while an Iowa resident.

Nonresidents: Deduct the portion of the amount allowed on your Federal return in the ratio of your Iowa self-employment income to your total self-employment income.

18. HEALTH INSURANCE DEDUCTION.

Part-year residents:

a. Self-employed. Enter 100% of the health insurance premiums paid by a self-employed individual while an Iowa resident.

b. Deducted through wages. Enter 100% of the health insurance premiums paid through your wages while an Iowa resident. No deduction is available to any individual who paid health insurance premiums on a pretax basis. Pretax occurs when an employer subtracts the amount of the health insurance premium from an employee's wages before computing Federal and State income taxes.

c. Paid direct by taxpayer. Enter 100% of the health insurance premiums that you paid while an Iowa resident.

Nonresidents:

a. Self-employed. Multiply 100% of the health insurance premiums paid by a self-employed individual by the ratio of Iowa self-employment income to total self-employment income.

b. Deducted through wages. Multiply 100% of the health insurance premiums paid through your wages by the ratio of Iowa wages to total wages.

c. Paid direct by taxpayer. Multiply 100% of the health insurance premiums that you paid directly by the ratio of your Iowa net income to total net income. For this net income calculation, do not include line 18, the health insurance deduction.

19. PENALTY ON EARLY WITHDRAWAL OF SAVINGS.

Part-year residents: Deduct the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity while an Iowa resident.

Nonresidents: Deduct the amount of any penalty you were charged because you withdrew funds from your time savings deposit before its maturity that was derived from an Iowa trade, business or profession.

20. ALIMONY PAID.

Part-year residents: Deduct alimony paid while an Iowa resident.

Nonresidents: Deduct alimony paid in the ratio of Iowa gross income to total gross income.

21. PENSION/RETIREMENT INCOME EXCLUSION.

Part-year residents: You may qualify to take this exclusion if you received taxable retirement income while an Iowa resident. For further information, see page 9, line 21.

Nonresidents: Iowa-source retirement income received by a nonresident is not taxable to Iowa. Therefore, you do not qualify to take this exclusion.

22. MOVING EXPENSES.

Part-year residents who moved **into** Iowa can enter any moving expenses from line 22 of the IA1040 that relate to the move to Iowa. Part-year residents moving out of Iowa cannot take any deduction on this line.

Nonresidents: You may not take any deduction on this line.

23. IOWA CAPITAL GAIN DEDUCTION. Enter 100% of qualifying capital gains that are attributable to Iowa sources. For further information, see page 9, line 23.

24. OTHER ADJUSTMENTS. Deduct miscellaneous adjustments to income in the same ratio as the income to which the adjustment relates was allocated to Iowa.

25. TOTAL ADJUSTMENTS. Add lines 16 through 24 and enter the total.

26. IOWA NET INCOME. Subtract line 25 from line 15 and enter the difference on this line. If line 26 is less than \$1,000 and you are not subject to Iowa lump-sum or minimum tax, stop here. You are exempt from Iowa income tax. If line 26 is \$1,000 or more, complete lines 27 through 33 of this schedule.

27. ALL-SOURCE NET INCOME. Enter the amount(s) from line 26 of the IA1040 on line 27 of the Schedule IA126.

28. IOWA INCOME PERCENTAGE. Divide the amount(s) on line 26 by the amount(s) on line 27. Round the resulting percentage to the nearest tenth of one percent. (Example: 70.6% not 70.56%). Enter this percent on line 28. If your Iowa net income is equal to or larger than your all-source income, enter 100%.

29. NONRESIDENT/PART-YEAR RESIDENT CREDIT PERCENTAGE. Subtract the percentage on line 28 from 100% and enter the balance on line 29.

30. IOWA TAX ON TOTAL INCOME. Enter on line 30 the tax shown on IA1040, line 43. However, if you are a single taxpayer who benefits from the tax reducing income to less than \$9,000 rule as explained on page 15, skip lines 30 and 31 and enter the reduced tax on line 32.

31. TOTAL CREDITS. Enter the total credits shown on IA1040, line 50.

32. TAX AFTER CREDITS. Subtract line 31 from line 30.

33. NONRESIDENT/PART-YEAR RESIDENT TAX CREDIT. Multiply the amount on line 32 by the percentage on line 29. Enter the result on line 33 and on IA1040, line 52.